

CITY OF MUSKEGON
DOWNTOWN DEVELOPMENT AUTHORITY (DDA) /
BROWNFIELD REDEVELOPMENT AUTHORITY (BRA)
SPECIAL MEETING
MINUTES

March 10, 2020

Chairperson M. Bottomley called the meeting to order at 10:30 AM and roll was taken.

MEMBERS PRESENT: M. Kleaveland, J. Moore, H. Sytsema, M. Johnson, F. Peterson, F. DePung, D. Kalisz, M. Bottomley, J. Wallace Jr

MEMBERS ABSENT: Excused: J. Riegler, D. Pollock, B. Hastings, P. Edbrooke

STAFF PRESENT: D. Alexander, Downtown Manager; L. Mikesell, Director of Development Services; D. Renkenberger, Administrative Assistant

OTHERS PRESENT: B. Chapla; S. Musselman for The Docks; J. Edwards, Rockford Construction; J. Canale, 12150 Cross Creek Dr, Spring Lake; C. Benedict, 370 Mid Oak Dr, N. Muskegon., J. Schrier, City Attorney

APPROVAL OF MINUTES

A motion to approve the regular meeting minutes of November 19, 2019 and the special meeting minutes of February 27, 2020 was made by J. Moore, supported by F. Peterson and unanimously approved.

BROWNFIELD REDEVELOPMENT AUTHORITY BUSINESS

Brownfield Plan Amendment for 372 Morris Avenue (Foundry Square) by GLDG - Rockford Construction. D. Alexander provided background information on this request. Foundry Square LLC submitted a Brownfield Plan Amendment application for a \$34 million, mixed-use urban development on 7 acres at 372 Morris Ave. The site formerly housed a coal gasification plant as well as other industrial uses over the decades. It was later capped and used as a surface parking lot, previously owned by the Community Foundation for Muskegon County after the closure and demolition of the former downtown Muskegon Mall. The first phase of the new development includes an 82-room hotel, four-story 240-space parking deck, 40,000 square foot family entertainment center, and public infrastructure; planned for the second phase are retail and residential mixed uses. The hotel and commercial uses could generate 140 new jobs. The Foundry Square project – depending on retail uses attracted to downtown—is strategically located between Western Avenue and Shoreline Drive overlooking Muskegon Lake, and has the potential to take downtown redevelopment to a much higher level.

D. Alexander went on to explain the financial details of the project and Brownfield application. The development team is seeking tax increments from local, school operating and state education property taxes and will also need approval of the Michigan Strategic Fund Board. The developer and city staff have reviewed the plan with state officials from EGLE and the MEDC. The total estimate of eligible costs is \$13.3 million--\$1.75 million for EGLE (environmental) costs and Michigan Strategic Fund

(redevelopment) costs \$10.56 million with both categories having a 10 percent contingency. A critical element of the environmental work is installation of a vapor mitigation system on the site, which has already had a state-approved environmental cleanup. The major element of the development work is an \$8.4 million parking deck, the first such facility proposed for downtown Muskegon since the closure of the Muskegon Mall. The public right-of-way improvements of streets, sanitary and storm sewers, water lines, sidewalks, curbs, gutter, lighting and streetscape upgrades with the extension of Second Street into the development will be completed by the developer to city specifications. The infrastructure improvements are eligible costs paid for through tax increments and eventually deeded to the city as public facilities. The plan contemplates paying off eligible costs in 2045 with the remaining five years of tax increments being placed in the city's Local Brownfield Revolving Fund. The plan calls for annual Brownfield Redevelopment Authority administrative fees of \$10,000 for the 30-year duration of the plan, which is within the allowable amount. The plan does not request reimbursement of interest on borrowing for eligible costs not immediately covered by tax increments. Several city departments have reviewed the Brownfield plan amendment along with the city attorney, and staff recommends approval of the request. Once approved by the BRA, the request will go to the City Commission for their approval.

J. Edwards of Rockford Construction stated that they were partnering with Great Lakes Development Group (GLDG) on this project. They had been working with city staff over the past months on the site layout. They planned phased approach, with a hotel, family entertainment center, and parking included in the initial phase. They had been working with Nederveld on meeting the Form Based Code requirements for the site. Being the former location of a MichCon plant, the site was quite contaminated, and the Brownfield plan amendment would help with the cost of environmental issues, keeping flexibility in mind. J. Canale was part of GLDG. He stated that the hotel and family entertainment center would be operated by a hotel group out of Grand Rapids, with the entertainment center consisting of dining, an arcade, and bowling. M. Johnson asked if there was a timeline for completion. J. Edwards estimated a 6 to 7-year buildout for the entire 7-acre project. C. Benedict of GLDG stated that the later project phases would be driven by the market. M. Kleaveland asked about the timeline for the extension of 2nd St. J. Schrier stated that it would start with Phase I.

J. Wallace Jr arrived at 10:44 AM.

H. Sytsema asked if the parking structure would be available for other downtown parking. J. Edwards stated that they needed 240 spaces to cover parking for their site but there should be some room left for additional public parking.

Included in board members' meeting packet was a "Resolution Approving Revised Brownfield Plan Amendment" for this project (Foundry Square at 372 Morris Ave). D. Alexander requested a motion to approve or deny the resolution.

A motion to approve the resolution for the Brownfield Plan Amendment for Foundry Square LLC at 372 Morris Ave. and to request a public hearing before the Muskegon City Commission to have the City Commission consider adoption of the plan, was made by H. Sytsema, supported by D. Kalisz and unanimously approved, with M. Kleaveland, J. Moore, H. Sytsema, M. Johnson, F. Peterson, F. DePung, D. Kalisz, M. Bottomley, and J. Wallace Jr voting aye.

The Docks Development and Reimbursement Agreement - Jared Belka for Damfino Development. D. Alexander provided background information on this request. Damfino Development LLC has

submitted a Development and Reimbursement Agreement for the approved Brownfield Plan for The Docks, a residential development on the former Pigeon Hill sand dune property near 1490 Edgewater. To summarize the project, Damfino Development received approval of a local-only tax capture Brownfield plan for the former Pigeon Hill sand mine property at the west end of Muskegon Lake. Plans are for 240 residential site condominiums needing \$18.5 million in initial private capital. The 30-year plan identifies \$20,097,500 in eligible expenses plus interest on borrowing until tax increments pay for the expenses. Part of eligible expenses is of an estimated \$3 million for public infrastructure for the city's construction of the traffic circle at Beach Street and Lakeshore Drive, improvements to Edgewater Street and other streets surrounding the development. The plan estimates The Docks would create \$111.4 million in new property value in the city after 30 years. The plan also includes an annual \$10,000 administrative fee to the city. If the 30-year plan pays off expenses early, the city could receive up to five years of additional tax capture for a brownfield revolving fund. The reimbursement to the developer vs. city would be done on a prorated basis with 82.5 percent to the developer and 17.5 percent to the city. The developer and city will provide the BRA with a request for payment of eligible expenses. The BRA has 30 days to approve the request. Payments are made on a semi-annual basis when incremental local taxes are captured and available. Several city departments have reviewed the Development & Reimbursement Agreement along with the city attorney and staff recommends approval.

S. Musselman provided an update on the project. There had been no changes, and developers continued to work on a state permit for wetland mitigation. They were also working on vacating the end of Edgewater St which had to go through Circuit Court. Once those issues were resolved, they could begin construction. M. Bottomley asked when construction on the roundabout would begin. F. Peterson stated that it would begin in about 30 days, to cause minimal traffic disruption during the busy summer season. H. Sytsema asked if the wetland issue could derail the project. S. Musselman stated that it would not, but they may have to do additional mitigation.

A motion to approve the Development & Reimbursement Agreement for the approved Brownfield Plan for The Docks and Damfino Development LLC was made by F. Peterson, supported by M. Kleaveland and unanimously approved, M. Kleaveland, J. Moore, H. Sytsema, M. Johnson, F. Peterson, F. DePung, D. Kalisz, M. Bottomley, and J. Wallace Jr voting aye.

DOWNTOWN DEVELOPMENT AUTHORITY BUSINESS

DDA Financial Report -- Finance Director B. Lewis distributed updated budget information. As expected, there was not much discretionary income this year. M. Kleaveland asked if the County debt payment was taken care of. B. Lewis stated that it had been paid off; she hoped to be able capture the balance next year. J. Wallace asked what the DDA could expect for tax increment revenue next year. B. Lewis stated that that information would not be available until June or July, once the Board of Review was done and any adjustments had been made.

Business Improvement District (BID) Update – D. Alexander updated members on BID business per discussions that had taken place at the BID board's February meeting. The BID was currently scheduled to expire on 12/31/20. They were in the process of working a BID plan for a scaled-down area for the next 3 years.

Downtown Marketing and Events – D. Alexander provided a list of downtown events scheduled to date and a list of cruise ship visits. At this time, it was unknown how the coronavirus might affect these events.

Economic development / Events report – D. Alexander provided an update on downtown projects in process and in the planning stages.

OTHER

None

There being no further business, the meeting was adjourned at 11:40 AM.